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..... *News and Views*
from the Farm Management Staff

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL EXTENSION SERVICE
Division of Agricultural Economics Programs
Washington 25, D. C.

March 12, 1956

Dear Farm Management Extension Workers:

Cutting Costs to Ease the Squeeze

Cutting farm costs is one possible attack on the problem of maintaining or increasing income during the price-cost squeeze. The production of a given output at a lower cost is always good farm management. This phase of production economics has probably received less attention than the reduction of unit costs through increasing output. While this work on the output side is extremely important under present conditions of close margins, it seems appropriate that considerable attention be given to the cost side.

Of course, one of the major goals of the farmer is a good net income. He is usually interested in cutting costs only insofar as it is consistent with his income goal. Because net income is a function of both costs and returns, cutting costs must be done with care. The achieving of low costs or even low cost per unit is not always consistent with maximizing net income. A satisfactory volume of production is also a necessary element of a successful business.

The opportunity to increase net income by cutting costs will vary a lot from farm to farm. Frequently, the opportunity may be small, compared to the opportunities that exist to cut unit costs by changes on the output side. This is particularly true where less than the optimum resources are being used or where the best production practices are not in use. Generally speaking, the opportunities to improve the situation by cutting costs are greater on the farms that have a good volume of business. The opportunity is probably greatest in farm businesses that were expanded rapidly in the forties and very early fifties without the careful attention to costs that was necessary in earlier periods and is needed again. Cutting costs offers much less as an income-increasing tool to the farmer whose primary problem is low output.

One of the problems that farmers encounter that limits costs in trying to reduce, arises from the fact that many costs, such as taxes, interest, and frequently the operator's labor, are fixed. Too, in the short run at least, depreciation takes on a semi-fixed character. These fixed and semi-fixed costs can only be cut by making more effective use of them. Others, such as gasoline, seeds, etc., have a minimum cost if one is going to farm at all; and others, such as fertilizer, are directly related to the amount of output that it is profitable to produce.

Although the opportunity to increase income by cost-reducing techniques is limited, the fact remains that there are some cost reductions that most farmers can make that will increase net income. For example, some farmers may be able to lower machinery costs by buying equipment better adapted to their job, by eliminating excess machinery, by cooperation with neighbors on expensive machines, or by doing more of their own repair work. Others may be able to use cheaper sources of needed nutrients. To the extent that such economies exist, this seems a most satisfactory way to combat the price-cost squeeze. It is most satisfactory since the individual eases his income problem without directly increasing the problems of agriculture in the aggregate.

We know that many of you are doing much to alert farmers to possibilities that exist along this line. According to many of your plans of work, you plan to do more. However, there does not seem to be much up-to-date material in a published form that is available for the use of county agents and farmers. Iowa State has recently published a good treatise, called "Cutting Costs in Today's Farming," as Pamphlet 222. Some others that have come to our attention are "Good Farming at Any Price," University of Wisconsin, and "Farm Expenses," A.E. 1987, Cornell, N. Y.

Here in the Washington office we are attempting to pull together information on adjustments that farmers can make to increase income with special reference to cutting costs. We will prepare a summary of such State materials that are available for your use. Also, we need case examples of how farmers have cut costs, with some estimate of how much income was improved. Will you write us about work that you have done, or are doing, in this area? Send us anything that you have on the subject.

We shall look forward to hearing from you.

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New Ideas and Methods

Family Goals and Extension Procedures. At the University of Kentucky a group got their heads together for most of a week in February to look into "this matter of the goals that families presumably have." The concern was about extension procedures, especially in farm and home development. Do they "tune in" with the things that really motivate farm people?

The group was made up of representatives of farm and home management, sociology, psychology, and extension administration. They studied what is known about why people behave the way they do, in relation to extension purposes, procedures, and effectiveness.

They reported that they thought extension should help people develop their potential capacities and take into consideration the goals and values of the individual, family, community, State, and Nation. They thought extension procedures should be such that:

1. A "learner-centered" situation is created -
By "learner-centered" situation is meant that the situation is structured by the values, desires, goals, hopes, interests, etc., of the learner.
2. Practice in decision making (systematically observing, analyzing, deciding, taking action, and accepting responsibility for action) is provided.

3. As much consistency as possible among values and between values and goals is attained.
4. The individual's capacities, opportunities, and motivation, as well as his knowledge, are recognized as determining his growth potential.
5. As changes in people and their environment occur, continuous planning and reassessment of goals and means of attainment will take place.
6. The expected consequences of possible actions are evaluated in terms of probabilities rather than certainties.
7. A sensitivity is developed to the inter-relationship between farm and home.
8. The unique as well as the general characteristics of families are recognized.
9. Changes in the individual's perception of reality are recognized as prerequisite to his growth.
10. The feeling of "threat to the self" is minimized, for both the extension personnel and other people.

As a matter of testing the application of these criteria to farm and home development procedures, the group suggested testing such variations in procedure as:

1. Informally developing working relationships with families vs formal selection, enrollment, and agreement,
2. Simply assuming that families will be glad to share what they experience (unless it will be seriously detrimental to them) vs having the development of a demonstration as a stated objective of the Extension Service.
3. Centering attention on problems that are of concern to the family as a whole vs making it a point to parallel attention to the farm with attention to the home.
4. Building up handbooks from empty binders with loose leaf sheets of data, beginning with data for which desire is first expressed vs presenting completed handbooks at the outset.
5. Starting out by demonstrating problem-solving procedure with a relatively simple problem, and suggesting that it can be applied to a more difficult felt problem vs starting out by listing family goals.

Many Record Books are Being Revised. Farm account books are being revised in many States so as to give attention to the farmer's need for special information such as the social security record for farm employees. This can be carried on separate sheets or in a section in the record book. A set of farm account books received last month from Maine is made up of four separate books: (1) Daily Record of Receipts and Expenses; (2) Five-Year Inventory and Depreciation Schedule; (3) Farm Credit Supplement; (4) Social Security Record for Farm Employees. The cover of each book is a distinctive color. This makes a convenient arrangement.

Social Security Film is Available. "Social Security and the Farmer," is a 13-1/2 minute black and white sound film now available in 16-mm from Social Security district offices. County agents may wish to borrow this for use at meetings.

Time Flies. Mr. Ferguson will soon be sending to your director a list of Federal extension personnel available for assistance to the States during the last half of the year. We thought that we might alert you so that you could do some thinking about how you can use us before the request form comes around.

We realize it is sometimes hard to crystallize your plans so far in advance but you can understand, we are sure, why it is helpful for us to make travel plans ahead. Even if you do not specifically have the plans formulated at the time the form reaches you, register your desire for assistance and we will work out the details later. Where you can anticipate your needs register requests as far as a year ahead.

Of course, we do not intend that you should limit your requests only to those you list at the time of the 6-month circularization. In addition, we urge you to place requests through your director at any time that we can be helpful to you. We will do our best to come if we can work it into our schedule. Naturally, giving us as much warning as you can and, when possible, leeway on dates, facilitates our making an efficient travel schedule.

You Should See -

- U.S.D.A. Releases. We are enclosing mimeographs that show the releases and dates they will be available from the Agricultural Marketing Service.
- Rural Development Program News. No. 6, U.S.D.A. We are enclosing copy of a relatively new letter which is designed to keep us up-to-date on the Rural Development Program. If you would like to receive this publication regularly, write to the Information Office, U.S.D.A., to be put on the mailing list.
- How Little Should a Farm Be? A-2035, Iowa State College. In this mimeograph Mr. Bliss discusses the problems of small farm businesses very forthrightly, as well as some of the alternatives that are open to individuals to cope with them. We thought you might be interested in a copy.
- Farm and Home Development in Connecticut. No. 56-2. This is a well-illustrated circular designed to explain farm and home development to farm people. It emphasizes the importance of planning, treats some of the tools used, and the role that the Extension Service plays. Irving Fellows, who wrote the circular, has also developed a set of slides using the same sketches. We understand that both the circular and the slides might be obtained.

Personnel Changes and Activities -

L. H. (Hi) Brown, farm management specialist in Michigan, is on an 8-month assignment in Europe with the Foreign Operations Administration. He will be serving as a consultant in connection with the development of work simplification studies and extension activities in a number of European countries, with headquarters at the Office of European Economic Cooperation in Paris.

R. E. (Roy) Moser and F. H. (Fay) Branch of Massachusetts have retired from the ranks of active farm management extension workers. Roy and Fay, better known as "Twig" to the oldtimers, will be missed by their many friends. They have left an enviable record of service in the field of farm management, not only in Massachusetts but throughout the Northeast. We wish them many happy days in whatever activities they choose to follow in the years of retirement that they have earned so well.

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Enclosures